

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on Universal)	
Service Seeks Comment on Interim)	CC Docket No. 96-45
Emergency Cap on Competitive Eligible)	
Telecommunications Carriers Support)	
Disbursements)	

COMMENTS OF VALLEY TELEPHONE COOPERATIVE, INC.

Valley Telephone Cooperative, Inc. (“Valley or “Cooperative”) hereby submits its comments in response to a Public Notice¹ released by the Federal Communications Commission (“FCC” or “Commission”) in which the Commission seeks comments on the recommendation of the Federal-State Joint Board on Universal Service (“Joint Board”) that the Commission take immediate action to control the growth in high-cost universal service support disbursements. Specifically, the Commission seeks comment on the Joint Board’s recommendation that an interim emergency cap be imposed on the

¹ *FCC Seeks Comment on Recommendation to Cap High-Cost Fund*, WC Docket No. 05-337, CC Docket No. 96-45, Public Notice, FCC 07-88 (Fed.-State Jt. Bd., rel, May 1, 2007) (*Public Notice*)

amount of high-cost support received by competitive eligible telecommunications carriers (“CETCs”).

Valley is a rural incumbent local exchange carrier (“ILEC”) serving approximately 6,200 local access lines in small and rural communities covering 8,000 square miles and 15 counties in south Texas. Valley is a recipient of federal Universal Service Fund (“USF” or “Fund”) support and uses that support to ensure it can provide telecommunications services in its rural service areas on a comparable level as those found in urban areas at an affordable rate. Accordingly, the Cooperative is vitally concerned that the USF remains sustainable to continue providing support funds to incumbent carriers serving high-cost rural areas.

I. Growth in High Cost Universal Service Disbursements

The Joint Board’s emergency recommendation for the FCC to establish an interim emergency cap on the USF disbursements to CETCs is driven by the explosive growth in fund disbursements to this particular class of support recipients. Since 2003, the USF disbursements to ILECs has been flat or in some years even declining; however, beginning in 2001 through 2006, CETC support payments have increased from \$15 million to almost \$1 billion.²

² *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 (Fed.-State Jt. Bd., rel, May 1, 2007) (*Recommended Decision at para. 4*)

Valley does not believe the Fund can continue to sustain this high level of growth.

II. Support for the Universal Service Fund

Valley strongly supports the universal service principles that were established by the Congress to ensure that the rural and insular areas of our country have the benefit of telecommunication services of similar type, quality and affordability as those available in urban areas. The Fund provides assurance for the continued investment in telecommunications infrastructure to serve our rural areas by having a stable and predictable return for that investment

III. Support for the Interim Cap for CETC Disbursements

Valley supports the Joint Board recommendation that the Commission immediately establish an interim cap on the USF support disbursements to CETCs. Based on the rapid growth of Fund disbursements to CETCs within the last six (6) years, Valley believes that it is essential that the Commission take immediate emergency action to curtail the Fund growth and preserve the integrity of the USF support program. Valley believes the explosive growth in CETCs payments is primarily due to the rapid increase in wireless carriers being designated by state regulatory commissions as eligible to receive federal USF support payments. In many cases, multiple carriers are eligible to receive USF support funds in rural and remote areas, thereby

creating a huge unnecessary Fund burden. State regulatory commissions continue to certify competitive carriers to receive USF support funding even when those carriers have been serving the same area, the same customers with the same services without USF support – for years. These carriers bring nothing new to the table except now they receive USF support payments based on the incumbent LEC's cost for that area. This identical or equal support rule appears to be the primary incentive for competitive carriers to petition the state commissions for Fund eligibility certification. As witnessed by the recent explosive growth, the USF has become a corporate financial entitlement program for many competitive carriers without any semblance of the USF support being in the public interest. Valley believes this single circumstance alone is responsible for the Fund's explosive growth and the Commission has the authority and fiduciary responsibility to cap the support payments to CETCs until this abuse can be stopped.

IV. Operation and Length of Time for the Interim Cap

Valley urges the Commission to adopt the Joint Board's recommendation to limit the going forward amount of USF support disbursements that CETCs may receive. The Joint Board recommends that the FCC cap the support for each state based on the average level of CETC support payments made in that state during the 2006 calendar year. This recommended methodology will not only cap the level of CETC support but also is a disincentive for state

commissions to continue designating new competitive carriers as ETCs.

Based on provisions of the Communications Act of 1934 as amended in 1996, the term of the interim cap is limited by law to no more than one year.³

V. Conclusion

Valley strongly urges the Commission to expedite its adoption of the Joint Board's May 1, 2007 Recommended Decision to establish an interim cap on USF support disbursements to CETCs. Recognizing this interim cap is only a temporary emergency solution; the Joint Board has firmly committed to make further long-term USF reform recommendations within the next six months. By recommending the interim cap and making the six month commitment, the Joint Board has fully realized the immediate emergency condition of the Fund and the subsequent financial jeopardy placed on the rural ILECs that shoulder the daily responsibility of providing universal service in rural America.

Respectfully submitted,

Valley Telephone Cooperative, Inc.

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³ 47 U.S.C. § 254(a)(2). (*Commission Action*)